

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 189530
ORIGIN AF-10

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 L-03 H-01 /093 R

DRAFTED BY AF/W:RJKOTT:LMG
APPROVED BY AF/W:RGHOUDEK
E:TMINNIES(INFO)
EB/IFD/OIA:RKAUZLARICH
OPIC:AKRAMISH(INFO)
DESIRED DISTRIBUTION
EXIM, USDOC, CIA, TREAS, AID
-----094046 271448Z /45
R 271320Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY LAGOS

LIMITED OFFICIAL USE STATE 189530

E.O. 11652: N/A

TAGS: EINV, NI

SUBJECT: INDIGENIZATION DECREE: FOREMOST INTERNATIONAL

1. EMBASSY WILL SOON RECEIVE COPY OF LETTER FROM PRESIDENT OF FOREMOST INTERNATIONAL, NEIL DENAUT, WHICH IS ADDRESSED TO UNDER SECRETARY COOPER. LETTER SAYS, INTER ALIA, THAT FOREMOST MC KESSON IS REQUIRED TO REDUCE ITS 98.6 OWNER-SHIP TO 40 BY SELLING ITS SHARES AT A PRICE OF 50 KOBO (\$80) PER SHARE IN A PUBLIC OFFERING. COMPANY CLAIMS THIS PRICE, SET BY CAPITAL ISSUES COMMISSION (CIC) WILL RESULT IN A LOSS OF APPROXIMATELY \$635,000 (THE EXCESS OF DEPRECIATED BOOK VALUE OVER THE SET PRICE). FURTHER-
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 189530

MORE, FIRMS STATES THAT OFFERING A PUBLIC ISSUE TO AS MANY AS 20,000 STOCKHOLDERS MAY COST COMPANY AS MUCH AS \$240,000.

2. FOREMOST DAIRIES (NIGERIA) LTD. HAS APPEALED PRICE AND ISSUE OF PUBLIC OFFERING TO CIC BUT CIC HAS YET TO REPLY. FOREMOST MUST COMPLY WITH TERMS OF "INDIGENIZATION" DECREE BY AUGUST 25. COMPANY WISHES TO OBTAIN HIGHER VALUE

FOR SHARES TO BE SOLD (AS WELL AS FOR NEW ISSUANCE OF SHARES) SINCE IT CLAIMS THAT CIC PRICE REPRESENTS ONLY 60 OF BOOK VALUE. IN ADDITION, FOREMOST WISHES TO OBTAIN TECHNICAL SERVICES AGREEMENT (TSA) ON SALE OF TECH-

NICAL, TRADEMARK, AND MANAGEMENT SERVICES.

3. FOREMOST IS SEEKING USG INTERCESSION WITH FMG ON ITS BEHALF. AF/W OUTLINED SEVERAL OPTIONS FOR COMPANY TO PURSUE, INCLUDING APPEAL TO CIC, BUT FIRM BELIEVES THAT DUE TO SHORTNESS OF TIME ONLY USG ASSISTANCE WILL PROVE PRODUCTIVE. IT CLAIMS THAT ONE MAJOR PROBLEM IS THAT OTHER US FIRMS HAVE MADE SIMILAR APPEALS TO CIC ON SHARE VALUATIONS WHICH HAVE EITHER BEEN REJECTED OR IGNORED ENTIRELY. COMPANY ALSO BELIEVES THAT FMG'S DIVISION OF RESPONSIBILITY BETWEEN VALUATION OF SHARES (WHICH IS MATTER FOR CIC TO DECIDE) AND NEGOTIATION OF A TSA (WHICH, PRESUMABLY, IS AN ISSUE TO BE TAKEN UP WITH MININDUSTRIES) FURTHER COMPLICATES ITS POSITION AND CAN NOT BE SATISFACTORILY ADDRESSED BEFORE AUGUST 25 COMPLIANCE DATE.

4. HAVE OTHER US FIRMS WHICH ARE FACED WITH "INDIGENIZATION" MEASURES APPROACHED EMBASSY FOR ASSISTANCE IN OBTAINING FAVORABLE VALUATION DECISIONS FROM CIC AND FOR ASSISTANCE IN NEGOTIATING TSA'S? IS EMBASSY GENERALLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 189530

AWARE OF PROBLEMS THAT OTHER US AND FOREIGN FIRMS ARE FACING WITH RESPECT TO COMPLIANCE WITH NIGERIAN ENTERPRISES PROMOTION DECREE OF 1977 (NEPD) BY YEAR END? IF SO, HOW ARE OTHERS HANDLING PROBLEMS POSED BY SUCH COMPLIANCE?

5. DEPARTMENT BELIEVES FOREMOST REQUEST IS IMPORTANT IN THAT IT MAY SET A PRECEDENT FOR OTHER US FIRMS IN THE FIVE MONTHS REMAINING BEFORE THE NEPD TAKES FULL EFFECT. AT THIS TIME, BASED ONLY UPON REQUEST FOR ASSISTANCE BY THIS ONE US COMPANY, FOREMOST, WE ARE RELUCTANT TO SUGGEST THAT EMBASSY ESTABLISH A POLICY OF "GOING TO BAT" FOR ALL US FIRMS FACING NEPD COMPLIANCE ON TERMS WHICH MAY NOT BE IDEAL. BELIEVING A MEASURED APPROACH IS CALLED FOR, DEPARTMENT SUGGESTS EMBASSY DISCUSS GENERAL QUESTIONS OF NEPD COMPLIANCE AND FOREMOST CASE IN PARTICULAR WITH MININDUSTRIES PERMSEC ALHAJI. APPROACH SHOULD BE INFORMAL AND PROBING RATHER THAN CONFRONTATIONAL. EMBASSY SHOULD STRESS IMPORTANCE USG ATTACHES TO RESULTS OF RECENT ECONOMIC BILATERAL TALKS AND COOPERATIVE ATMOSPHERE THAT EXISTS BETWEEN US AS RESULT OF THESE MEETINGS AND OTHERS.

EMBASSY SHOULD POINT OUT THAT NIGERIA'S DRIVE TO ATTRACT
US PRIVATE FOREIGN INVESTMENT WILL NOT BE AIDED BY
APPEARANCE OF UNSATISFACTORY OR ONE SIDED RESOLUTION
OF THIS OR SIMILAR INVESTMENT DISPUTES RELATED TO
INVESTORS' COMPLIANCE WITH NEPD. USG, AND IN THIS
PARTICULAR INSTANCE FOREMOST, WOULD WELCOME ANY ADVICE

ALHAJI MAY BE ABLE TO PROVIDE THAT WOULD FORECLOSE
POSSIBILITY OF THIS BECOMING A MAJOR ISSUE BETWEEN COM-
PANY AND FMG IN THE FIRST INSTANCE AND, POSSIBLY, BE-
TWEEN USG AND FMG ULTIMATELY.

6. AMBASSADOR EASUM CONCURS.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 189530

CHRISTOPHER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PUBLIC CORRESPONDENCE, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 jul 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE189530
Document Source: CORE
Document Unique ID: 00
Drafter: RJKOTT:LMG
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780308-0414
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780713/aaaaalar.tel
Line Count: 137
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: de2bd76b-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1866089
Secure: OPEN
Status: NATIVE
Subject: INDIGENIZATION DECREE: FOREMOST INTERNATIONAL
TAGS: EINV, NI
To: LAGOS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/de2bd76b-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014